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### **K-12 schools to get \$70M from Common School Fund**

If you're interested in learning how to earn more than an 11 percent return on your money, you might want to talk to Dean Martin, the state treasurer, who is about to pony up nearly \$70 million to Arizona's K-12 schools, more than double last year's amount from the Common School Fund of the state's Permanent Endowment.

"It's all from improved performance on our investments," Martin told the Herald/Review in a stop on his weeklong swing through the southeast part of the state. "And the Legislature can't adjust their formulas for funding education based on our performance. It's the most protected source of revenue we have."

The Permanent Endowment — a financial feature unique to states in the West — exists in perpetuity to fund 13 "beneficiaries" in Arizona with the invested proceeds from the sale of state lands. Currently valued at \$2.45 billion, the principal is never touched, and distributions to schools are made based on a five-year "rolling average" to mitigate market fluctuations.

Other beneficiaries — each with their own trust land and separate trust fund — include the Arizona School for the Deaf & Blind, the School of Mines and penitentiaries.

The \$70 million is a landmark increase and is good news for school districts, teachers and students as well. According to statute, the money may only be used for class size reduction, teacher pay raises, teacher training, AIMS assistance and dropout prevention programs.

Funds are allocated based on weighted student count, and districts can determine how to expend the money within the statutory guidelines. Commonly called the "classroom site fund," the fiscal year 2007-08 historic distribution works out to approximately \$1,430 per full-time teacher or classroom.

"Some people are under the impression that the jump is because of recent land sales that commanded high prices," Martin said. "But that's not the case. We haven't even received most of that money yet. Another billion dollars will be deposited into the endowment over the next seven years, which we'll invest and then be able to grow money even faster."

Martin believes the “endowment model” is key to the long-term funding of education that is a state obligation that “doesn’t go away.”

Using all-day kindergarten as an example, he said that when it was passed by the Legislature, it wasn’t priced out “all the way through” to include new classrooms that will be needed for the larger number of students serviced by schools in a state with a growing population. “You can’t create a permanent liability for the state with money that may not always be there,” he cautioned.

The youthful Martin gets excited when talking about his office’s successful management of the endowment’s portfolio. “It’s like a train leaving the station,” he said. “It picks up momentum.”

The forecast for distribution to the Common School Fund in 2010 is \$90 million.

The treasurer explained that the state holds approximately 8.1 million acres in trust and that only 17 percent of Arizona’s land is in private hands. He believes his office has been more creative and “retail” oriented than other states when marketing parcels for public auction. Martin’s mother was a high school math teacher.

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